

AGRESSO (UNIT4 BUSINESS WORLD) IMPLEMENTATION

To: **General Purposes Committee**

Meeting Date: **25 July 2017**

From: **LGSS Director Business Systems and Service Development**

Electoral division(s): **All.**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **To update General Purposes Committee (GPC) on the progress of the programme to implement Agresso (Unit4 Business World) system to replace the existing Oracle system.**

Recommendation: **General Purposes Committee is recommended to:**

- a) note the progress on the implementation of Agresso (Unit4 Business World) and the revised Go Live date of 30 September 2017; and**
- b) approve a further £187k of capital spend to complete the implementation.**

<i>Officer contact:</i>	
Name:	Mark Ashton
Post:	LGSS Director Business Systems and Service Development
Email:	MAshton@northamptonshire.gov.uk
Tel:	0300 1261111

1. BACKGROUND

- 1.1 Northamptonshire and Cambridgeshire signed off the business case for the replacement of their shared ERP (Enterprise Resource Planning – large scale business system integrating HR, Payroll and Finance) Oracle with Agresso in May 2015. There followed a procurement process and a planned implementation for early 2017. During the course of 2015 LGSS had been working on a business case for an extended shared service with Milton Keynes Council. Milton Keynes Council (MKC) was also in the process of considering its options to replace its SAP system which was out of support from July 2017. There were and still are, business benefits from a three way implementation and the project was expanded to include the ERP systems for all three councils (including the £4.2m shared saving benefits to all three councils resulting from MKC joining). Despite the additional complexity the Go-Live date was maintained at April 2017.

2. MAIN ISSUES

- 2.1 A number of factors have come together to make the originally planned, pre-MKC April 2017 'Go- Live' unrealistic and this became increasingly apparent from October 2016 culminating in the final decision being taken by the ERP Board in February 2017 to reschedule the Go-Live to later in the year. Naturally the Chief Finance Officers (CFOs) were engaged throughout this period of review and re-planning, and were advised of the inevitable additional cost which would follow. It is clear that the project was more complex than originally envisaged and was already competing with scarce Business Systems' development resources across the piece. Implementing across three partners has been a greater challenge especially given the need to be migrating data from two different legacy ERP systems (i.e. SAP for MKC and Oracle for CCC and Northamptonshire County Council (NCC)) which has been exacerbated by the lack of in-house SAP expertise in MKC and the need by LGSS to switch external SAP support from the inherited MKC service provider Kier to a more cost effective and capable SAP partner in the interim (i.e. to a supplier called Rimini). In addition, the project has needed to respond to unscheduled major changes in NCC's organisation through the creation of newly formed federated vehicles, and this has added very significant new demands onto the LGSS ERP resources. Further, already stretched IT resources in Cambridgeshire had to be somewhat re-prioritised and re-scheduled with the need to stabilise the IT platform generally there for existing CCC systems and services during the October 2016 to April 2017 period. There has also been some change to the scope of the project which although limited has placed an additional burden on delivery and cost for an Original Go live of April 2017 which was in hindsight perhaps an already a very challenging plan.
- 2.2 The project has also experienced cost pressures during its planned two and a half years life cycle. It was possibly over optimistic to assume that the implementation could be largely delivered in house given the above additional organisational change demands that actually materialised and impacted availability of existing, in-house ERP resources, with the knock on consequence of there being more external Unit 4 resource required and with the rescheduling to September 2017 that has also meant resources required for a greater period of time as well. Furthermore there has been unavoidable turnover of technical staff (due to unavoidable competition in the IT market for such skilled people), some of which was inevitable – so some technical in house Oracle resource has left and had to be replaced by external ERP technical experts and there's also been turnover with project management staff for the same reasons throughout this two years period. Therefore use of

external ERP technical experts has meant in-house employee' costs being replaced with unavoidably much more expensive (but more experienced) external technical resources resulting in higher project costs overall. Finally there have also been some additional IT middle-ware software and infrastructure costs incurred with the existing environments not fully able to meet all of the application interfacing commitments, this was in respect of Biztalk and MOVEit software in the main (These are the applications used to interface and transfer data between the new ERP and all of the other councils' key systems).

- 2.3 The extended timeline for the ERP programme means there will be resultant additional costs overall for the implementation. For both Cambridgeshire and Northamptonshire County Councils' additional capital costs will be fully mitigated by in-year LGSS revenue savings. The Business Systems team is currently fully budgeted for but will be slimmed down post completion of the build. This will give rise to additional on-going savings to both CCC and NCC in future years which will be reflected in the LGSS Strategic Plan.
- 2.4 There are other a number of other system implementations currently underway which have interdependencies with this programme. A major one for Cambridgeshire is Mosaic the new case management system for adults' and children's services. The timescale for Go Live for Mosaic is currently under review. However, this project will require that ERP Gold has been stable for six months before CCC goes live with the finance module.

ERP Programme forecast outturn

- 2.5 The total net capital cost of the implementation has increased to £5.464m. The table below sets out the share of costs per council.

	Original Capital Budget	Current Forecast	Revenue Contribution	Net Capital Cost	Variation
	£k	£k	£k	£k	£k
Cambridgeshire	1,428	2,416	801	1,615	187
Northamptonshire	1,428	2,416	801	1,615	187
Milton Keynes	1,600	2,306	72	2,234	634
Total	4,456	7,138	1,674	5,464	1,008

- 2.6 Inevitably the rescheduled Go Live means all of the project resources are required for a greater period of time, every additional month adds proportionately to the overall cost. The key variances are:
- Extended time period of 9 months = £1.1m
 - Additional Unit 4 costs - £0.9m
 - Additional in house programme costs - £0.3m
 - Additional IT Infrastructure costs - £0.1m
- 2.7 The CCC budget allocation for capital expenditure on the ERP implementation was £1.428m. Throughout the programme this has been supplemented by the revenue budgets of the current business systems and LGSS Programme team by £801k over the three years, giving a total available budget of £2.229m. The predicted forecast CCC spend for the programme is £2.416m (up to September 2017). This leave a forecast capital overspend of £187k (including the latest business case for Biztalk and MOVEit).

- 2.8 The revenue costs below reflect the extent to which resources across LGSS predominantly in the Business Systems Team but also Project Management and business analyst resource have been used to drive the programme forward.

Spend Type	Revenue and Capital Budget	Actuals 2015/16	Actual 2016/17	Actual 2017/18	Actual Total	Outturn Variance
	£k	£k	£k	£k	£k	£k
Capital	1,428	515	592	508	1,615	187
Revenue	801	245	288	268	801	0
Totals	2,229	760	880	776	2,416	187

- 2.9 These costs now include additional project costs which arise with the September Go-Live 'cutting over' from Oracle on 30 September. These are likely to total £133k but the Project Team is continuing to explore how these could be mitigated/kept to a minimum. Finally, there are still a number of months and much activity to be undertaken and it is important to factor in some level of contingency. There is no single contingency line in the forecast position but consideration has been made on a line by line across all of the project costs taking a prudent view.
- 2.10 An additional £187k capital resource will need to be secured for Cambridgeshire County Council. However, there will also be additional revenue savings as detailed below for CCC of £50k for 2019/20 and then £75k per annum from 2020/21 onwards i.e. a capital payback period of less than 3 years.

Additional Business Systems Savings

- 2.11 Post-delivery it is anticipated that additional savings can be delivered from the business systems team to offset the additional capital costs and the additional savings will pay back the forecast project overspend in just under three years. This would be a saving of £50k in 2019/20 and a further £25k in 2020/21 (with payback achieved in 2021/22). The table below sets out the CCC share of additional savings only.

Additional Savings	2017/18	2018/19	2019/20	2020/21	2021/22	2023/24
	£s	£s	£s	£s	£s	£s
Business Systems	0	0	-50,000	-25,000	0	0
Totals	0	0	-50,000	-75,000	-75,000	0

Current Strategic plan savings

- 2.12 The ERP programme is set to help deliver savings both on licence and support costs, but also from within the transactional teams. Any pressures on the delivery of these savings are set to be managed within the LGSS medium term plan and mitigated in full by the LGSS management board. This will mean short term negative impacts forecast on additional capital investment required from Cambridgeshire County Council (CCC) is both fully mitigated by these additional LGSS savings to CCC which also gives a slightly improved

business case return position for CCC over the 5 years.

Savings totals as per the LGSS Strategic Plan vs. Actual Delivery (the tables below are shown as the total LGSS savings delivery as per the Strategic Plan).

	2016/17	2017/18	2018/19
	£k	£k	£k
<u>ERP Savings</u>			
(CCC/NCC)			
Original Planned	-100	-400	-600
Cumulative	-100	-500	-1,100
Actual Delivery	0	0	-1,153
Difference	100	500	-53
<u>Transactional savings</u>			
Service Reviews	n/a	-50	0
MK Partnership	n/a	-470	-240
Cumulative	n/a	-520	-760
Actual Delivery	n/a	-285	-760
Difference	n/a	235	0
Total Shortfall	100	735	-53

- 2.13 The £100k pressure in 2016/17 has been reported as part of the LGSS Outturn Position throughout the 2016/17 financial year. The £235k savings pressures in transactional services during 2017/18 will be mitigated during the financial year through staff turnover and holding vacancies wherever possible. A contingency was established when MKC joined the partnership to address any timing difficulties such as this one in delivering the ERP and MKC business cases. There is sufficient in that contingency to meet these short term one off costs.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

There are resources implications for Cambridgeshire County Council which are detailed in the body of the report. £1.428m is included in the Capital Programme for the CCC's contribution to the total cost of the implementation. The current forecast as a consequence of rescheduling the Go Live to the end of September is a net capital contribution of £1.615m an increase of £187k.

Additional revenue savings of £50k in 2017/18 and £75k for 2018/19 and future years which mean the additional capital costs are effectively covered in less than three years.

The rescheduled Go Live does have an impact on the delivery of LGSS Strategic Plan savings, a relevant share of which is included in the CCC Business Plan. There is a delay in the delivery of the Business Systems savings but these are now forecast to be £53k greater than anticipated over the three year period. Contingency does exist to cover timing difficulty. There are also potential delivery challenges with the delivery of transactional savings. These will in part be met through turnover and vacancies but there is further contingency built into the MKC Partnership arrangements which could also meet this.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	None
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	None
Have the equality and diversity implications been cleared by your Service Contact?	None
Have any engagement and communication implications been cleared by Communications?	None
Have any localism and Local Member involvement issues been cleared by your Service Contact?	None
Have any Public Health implications been cleared by Public Health	None

Source Documents	Location
ERP Business Case	MAshton@northamptonshire.gov.uk